

September 11, 2020

To All Concerned Parties

Name of REIT Issuer:

Invincible Investment Corporation
Naoki Fukuda, Executive Director
(Securities code: 8963)

Asset manager:

Consonant Investment Management Co., Ltd.
Naoki Fukuda, President & CEO
Contact: Jun Komo
General Manager of Planning Department
(Tel. +81-3-5411-2731)

Notice concerning Conclusion of Memorandum of Understanding to Amend the Fixed-term Building Lease and Property Management Agreement pertaining to the rent conditions for the period from July to September, 2020 with Major Tenant

Invincible Investment Corporation ("INV") announced the decision to enter into a Memorandum of Understanding (the "MOU") to amend each fixed-term building lease and property management agreement ("MLPM Agreements") pertaining to the rent conditions for the period from July 1, 2020 to September 30, 2020 for domestic hotels owned by INV with INV's main tenant, MyStays Hotel Management Co., Ltd. ("MHM") and its affiliates (the "MHM Group"), who operate the hotels, as decided yesterday by Consonant Investment Management Co., Ltd. ("CIM"), the asset manager of INV.

The MHM Group has received investments through funds managed by affiliates of the Sponsor, Fortress Investment Group LLC ("FIG"). Therefore, CIM has treated the MHM Group as equivalent to Sponsor-related Persons. As such, CIM and INV have sincerely deliberated and discussed, and resolved to enter into the MOU in accordance with the internal rules of CIM to handle the related party transactions.

1. Outline of the MOU

As announced in "Notice concerning Conclusion of Memorandum of Understanding to Amend the Fixed-term Building Lease and Property Management Agreement with Major Tenant" dated May 11, 2020 (the "Notice dated May 11, 2020"), INV entered into a Memorandum of Understanding (the "May 2020 MOU") with the MHM Group to amend each MLPM Agreements on May 11, 2020. Under the May 2020 MOU, the parties agreed, as a provisional measure during the period from March 1, 2020 to June 30, 2020 with respect to the 73 domestic hotels leased through the trustees to the MHM Group (the "Subject Properties"), that (i) INV will waive the fixed rent during the relevant period and change the calculation method of the variable rent by way of partial amendment of the MLPM Agreement, (ii) INV will bear the property management costs that should be borne by the MHM Group under the original agreement, and (iii) INV will increase the amount of the management fees payable to the MHM Group. Based on the May 2020

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MOU, the total amount of property management costs and incremental management fees incurred by INV from March to June 2020 totaled JPY 1,350 million, which was initially estimated to be up to JPY 1,500 million. Thus, when offsetting the funding by INV against the rent paid by the MHM Group, the MHM Group paid net rent of JPY 808 million in the fiscal period ended June 2020 (from January 1, 2020 to June 30, 2020).

The May 2020 MOU was agreed as a tentative measure for the period up to June 30, 2020. Thus, unless otherwise agreed, from July 2020 onward, the terms and conditions under the MLPM Agreements prior to the amendment by the May 2020 MOU (hereinafter referred to as the "Original Leasing Terms and Conditions") will be applied. On the other hand, the impact of the spread of the new coronavirus (COVID-19) on the hotel sector remains enormous. Given the hotel operation track record since July 2020, it is impossible for the MHM Group to pay the full amount of the fixed rent under the Original Leasing Terms and Conditions. In order to continue the operation of the Subject Properties by the MHM Group, a certain amount of rent reduction is unavoidable after July 2020 as well.

Under such circumstances, INV has concluded that INV must accept to amend a part of the MLPM Agreement as an additional tentative measure in order to continue the operation of the Subject Properties, upon giving due consideration to INV's interests to the fullest extent as well as its financial conditions.

Consequently, as a result of discussions and negotiations with the MHM Group, INV and CIM determined to enter into the MOU with the MHM Group and change the Original Leasing Terms and Conditions as shown below as a tentative measure for the period from July 1, 2020 to September 30, 2020 (hereinafter referred to as the "Third Quarter of 2020") with respect to the Subject Properties.

Items subject to Change	Calculated based on the Original Leasing Terms and Conditions	Tentative Measures (Third Quarter of 2020)
Fixed rent (Total rent for 3 months for 73 properties)	Approx. JPY 3,800 million	JPY 800 million (Approx. 21% of the amount under the Original Leasing Terms and Conditions) (hereinafter referred to as the "total fixed rent")
Variable rent	Calculated on a 3-month basis for each hotel. The amount obtained by deducting (i) the total amount of expenses, management services fees, and fixed rents of the hotel property from (ii) the total monthly sales of the hotel property (if the calculation results are negative, the amount shall be JPY 0).	Calculated by summing up the rent of all 73 properties for three months. The amount obtained by deducting (i) the above total fixed rent (the total rent for 3 months for 73 properties) from (ii) the aggregate of the amount for three months for 73 properties, which amount is obtained by deducting the management services fees for the hotel for each month from the monthly

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		GOP (operating gross profit calculated by subtracting expenses from total monthly sales) for each hotel for the same month (provided that, for any month where such amount is negative, the amount for the month shall be JPY 0) (if the calculation results are negative, the amount shall be JPY 0). (hereinafter referred to as the "total variable rent")
Payment method of rent	<p>Paid on the hotel-by-hotel basis.</p> <p>The due date is the 11th of the month which is two months from the month in which the last day of the calculation period falls (for the fixed rent, every month, and for the variable rent, every three months).</p>	<p>Paid on a total basis of 73 hotel properties.</p> <p>On November 11, 2020, the sum of the total fixed rent and the total variable rent shall be paid.</p>

The total fixed rent (for 73 properties for three months total) of JPY 800 million after the amendment above is determined as approximately the same level of amount as the forecasted amount of the hotel GOP (for the Third Quarter of 2020) as of September 10, 2020, considering that the assets and cash on hand of the MHM Group are insufficient and the source of the rent payment is basically limited to the GOP arising from the Subject Properties. For the same reason, the calculation method of the variable rent for the Third Quarter of 2020 was amended so that the whole 73 properties operated by the MHM Group should be treated as one unit on three-month period basis. Also, due to the change in the calculation method of the fixed rent and variable rent, rent will be paid on a total basis of 73 hotel properties combined in lump-sum in November when the hotel revenue for the three months will be fixed. Combined with the fiscal period ended June 2020, the MHM Group's net rent payment for the period from January to September 2020 will be JPY 1,608 million plus potential additional variable rent generated in the Third Quarter of 2020.

INV will not bear the property management costs nor increase the amount of the management fees payable to the MHM Group under the provisional measure by the MOU.

For the list of the Subject Properties, please refer to the Appendix. For an overview of the current lease agreements, including the terms and conditions of rent for each Subject Property, please refer to "Part I Fund Information / 1 Status of Fund / 5 Management Status / (2) Investment Assets" of the Securities Report for the 33rd fiscal period (from July 1, 2019 to December 31, 2019) submitted by INV on March 25, 2020 (available in Japanese only).

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The outlook for the future status of the spread of new coronavirus infections and its impact on the demand for hotels are inevitably uncertain. Therefore, INV plans to make this change a provisional measure for the period up to the end of September 2020, and, if necessary, to discuss the details of the changes in the leasing terms and conditions after such period based on the future situation.

2. Background and Reasons for Conclusion of the MOU and its Impact on INV

(1) Background and Reasons

The Japanese economy has deteriorated rapidly since February 2020 due to the effects of the new coronavirus infection (COVID-19). On April 7, 2020, the Japanese government declared a state of emergency. In addition, global travel restrictions caused the number of foreign tourists visiting Japan to decline by -99.9% for the period from April to June year-over-year, significantly affecting the Japanese economy as a whole, particularly the hotel sector. In light of these circumstances, as announced in the Notice dated May 11, 2020, INV entered into the May 2020 MOU with the MHM Group on May 11, 2020.

The measures under the May 2020 MOU were tentative ones only applicable to the period up to the end of June 2020, and as a result, the MHM Group was able to continue to operate the Subject Properties to date, and the short-term loss of INV due to a potential bankruptcy of the MHM Group (i.e., complete loss of rent income, cost burden associated with rebranding, etc.) and the medium-to long-term loss due to change of the operators (i.e., deterioration of the rent level from the Original Leasing Terms and Conditions, increase in the management services fees, etc.), which INV and CIM were most concerned about, have been avoided until today. In addition, it enabled INV to receive the rent for the Third Quarter of 2020 from the MHM Group, which would have been difficult to obtain if a replacement of the tenants/operators had been decided as of May 2020.

However, since May 11, 2020, although the market has shown a sign of improvement to some extent, business trips and tourists have continued to decline sharply, and the income of hotel operators including the MHM Group have remained sluggish. Although State of Emergency declarations issued by each prefecture were gradually lifted and some progress has been seen in measures against the COVID-19, such as the Japanese government announcement in August 2020 that it would aim to ensure the quantity of vaccines available to all people by the first half of 2021, leading to expected future improvement in market conditions, there is no certainty around the timing of the eradication of the new coronavirus infection at this stage. For the time being, it will take a certain period of time until the operation of hotel properties is restored.

INV requested that the MHM Group maximize its cost-cutting efforts, closely reviewed its financial conditions, and also considered the possibility of disposition of assets by the MHM Group. The fund operated by an affiliate of FIG made an additional investment of JPY 1.3 billion in total (JPY 0.7 billion in April 2020 and additional JPY 0.6 billion in June 2020) to cover head office corporate expenses of the MHM Group, and the MHM Group strives to restore demand and to secure new demand in the COVID-19 environment, while thoroughly reducing hotel operating costs, including the use of employment

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adjustment subsidies, drastic reductions in temporary staff, reductions in executive salaries of 20% or more, and significant reduction of advertising costs and cleaning consignment costs. However, even with such measures, it is difficult to deal with the severity of this situation without partially amending the terms for payment of the rent by taking temporary measures pursuant to the MOU.

On the other hand, while INV considered the option of switching the operator from the MHM Group to another tenant as INV also considered prior to conclusion of the May 2020 MOU, in light of the current market environment, it would still be quite difficult to find a successor tenant who would sign a contract with terms and conditions acceptable to INV from the viewpoint of securing medium-to long-term profits of INV, as all hotel operators are facing difficult times in this current tourism market and economy. Under such circumstances, it would not be a practical option to switch over to another tenant.

Under such circumstances, INV has concluded that INV must accept to amend a part of the MLPM Agreement as an additional tentative measure in order to continue the operation of the Subject Properties, upon giving due consideration to INV's interests to the fullest extent as well as its financial conditions.

(2) MOU's impact on INV

Given the decrease of the fixed rent for the Third Quarter of 2020 under the MOU, the amount of cash reserves of INV is expected to be approximately JPY 8.2 billion as of the end of November 2020. Therefore, there is no concern about INV's ability to pay interest payments for the time being (the total amount of interest for INV's interest-bearing debt due during the period from July to December 2020 is approximately JPY 0.7 billion).

In addition, in July 2020, INV refinanced existing borrowings in the amount of JPY 30,579 million in total. Furthermore, INV has maintained good relationships with its lenders and as announced in "Notice concerning Debt Financing (Refinance)" dated September 10, 2020, INV has executed a new loan agreement in order to repay existing borrowings in a total amount of JPY 3.0 billion due on September 14, 2020. The amount of repayment obligations of principal coming due during the period from the end of August to December 2020 is limited to approximately JPY 1.9 billion except the said borrowings of JPY 3.0 billion to be refinanced on September 14, 2020, which means that INV will be able to repay all the principal by using its cash reserve, and accordingly there are no concerns about the repayment of the principal or the breach of the financial restriction covenants under the relevant loan agreements.

3. Outline of MHM

(i)	Name	MyStays Hotel Management Co., Ltd.
(ii)	Location	Roppongi Hills North Tower 14th Floor, 6-2-31, Roppongi, Minato-ku, Tokyo, Japan
(iii)	Title and name of representative officer	President and CEO, Ryoichi Shirota
(iv)	Business	Hotel and Ryokan (Japanese inn) operation and management
(v)	Capital	JPY 760 million (as of end of August 2020) (Note 1)
(vi)	Date of establishment	July 8, 1999
(vii)	Relationship between INV/Asset Manager and the Tenant/Operator	

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Capital relationships	While there are no capital relationships that should be noted between INV/CIM and MHM, the parent company of MHM is owned by a fund operated by affiliates of FIG. FIG is a subsidiary of SoftBank Group Corp., which directly and indirectly holds 100% of CIM's outstanding shares.
Personnel relationships	As of today, two employees of CIM are seconded from MHM, and among the directors of INV and the officers and employees of CIM, Naoki Fukuda, who is Executive Director of INV and CEO of CIM, Naoto Ichiki, who is Chairman and Director of CIM, and Christopher Reed, who is a part-time director of CIM, are seconded from Fortress Investment Group Japan Godo Kaisha, a subsidiary of FIG.
Transactional relationships	As of today, INV has entered into lease agreements (Note 2) with MHM with respect to 73 hotel properties.
Whether the Tenant/Operator is a related party	MHM is not a related party of INV/CIM. Further, related persons and affiliates of MHM are not related parties of INV/CIM. Furthermore, MHM is not an interested party, etc. of CIM as provided in the Act on Investment Trusts and Investment Corporations.

(Note 1) MHM received the capital contribution of JPY 600 million in June 2020, but a portion of the amount is recorded as capital surplus (shihon-jyunbikin) and the amount of capital (shihonkin) after such capital contribution is JPY 760 million.

(Note 2) Agreements with MHM subsidiaries and management contracts between MHM and tenants are included.

4. Transactions with Interested Persons etc.

The MHM Group, tenants and operators of the Subject Properties, are not Sponsor-related Persons (Note) under the voluntary rules established by CIM as countermeasures against conflicts of interests in the management of INV's investments. However, MHM or its Affiliates have received investments through funds managed by affiliates of the Sponsor, FIG. Therefore, CIM has treated MHM or its Affiliates as equivalent to Sponsor-related Persons.

In accordance with Sponsor-Related Person Transaction Rules and Sponsor-Related Person Transaction Management Manual, which are internal rules of CIM, and following the deliberation and resolution of the compliance committee meeting and the investment committee meeting both held on September 10, 2020, the boards of directors of CIM and INV held on the same date each approved conclusion of the MOU.

(Note) A Sponsor-related Person is (i) any person who falls under the "Interested Persons, etc." set forth in the Investment Trust Act and the Orders for Enforcement of the Act on Investment Trust and Investment Corporations, (ii) all shareholders of CIM and (iii) special purpose companies (*tokubetsu mokuteki kaisha*) (a) which delegate their management to persons who fall under (ii) above, or (b) which are invested by or invested through anonymous partnership (*tokumei kumiai*) by persons who fall under (ii) above. Hereinafter the same.

5. Future Outlook

INV's forecasts for financial results and distribution for the fiscal period ending December 2020 (from July 1, 2020 to December 31, 2020) still remain as to be announced since it remains difficult to predict the future spread of COVID-19 and its impact on hotel industry operators. INV will make an announcement

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of the forecasts for the fiscal period ending December 2020 when it determines such forecast upon determination of whether to further amend the terms and conditions of the MLPM Agreements after October 2020 and the details thereof, if any, and consideration of the outlook of the impact of COVID-19 on hotel industry and other relevant factors.

Website of INV: <https://www.invincible-inv.co.jp/en/>

(Appendix)

List of Subject Properties

Property No.	Property Name
D1	Hotel MyStays Kanda
D2	Hotel MyStays Asakusa
D3	Hotel MyStays Kyoto-Shijo
D4	MyStays Shin- Urayasu Conference Center
D5	Hotel MyStays Maihama
D6	Hotel MyStays Premier Dojima
D7	Hotel MyStays Nagoya-Sakae
D8	Hotel MyStays Sakaisuji-Honmachi
D9	Hotel MyStays Yokohama
D10	Hotel MyStays Nippori
D11	Hotel MyStays Fukuoka-Tenjin-Minami
D12	Flexstay Inn Iidabashi
D13	Hotel MyStays Ueno Inaricho
D14	Flexstay Inn Shinagawa
D15	Flexstay Inn Tokiwadai
D16	Flexstay Inn Sugamo
D17	Hotel MyStays Otemae
D18	Flexstay Inn Kiyosumi Shirakawa
D19	Flexstay Inn Nakanobu P1
D20	Flexstay Inn Nakanobu P2
D22	Hotel MyStays Hakodate-Goryokaku
D23	Flexstay Inn Shirogane
D24	Hotel MyStays Haneda
D25	Hotel MyStays Kameido P1
D26	Hotel MyStays Ueno Iriyaguchi
D27	Hotel MyStays Kameido P2
D28	Hotel MyStays Shimizu

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D30	Flexstay Inn Higashi-Jujo
D31	Hotel MyStays Utsunomiya
D32	Flexstay Inn Kawasaki-Kaizuka
D34	Flexstay Inn Kawasaki-Ogawacho
D35	Flexstay Inn Ekoda
D38	Hotel MyStays Shinsaibashi
D43	Hotel MyStays Gotanda Station
D44	Hotel Epinard Nasu
D45	Hotel MyStays Fukuoka Tenjin
D46	Hotel MyStays Hamamatsucho
D47	Hotel MyStays Premier Kanazawa
D49	Hotel MyStays Premier Hamamatsucho
D50	Hotel MyStays Shin Osaka Conference Center
D51	Hotel MyStays Premier Omori
D52	Beppu Kamenoi Hotel
D53	Hotel MyStays Sapporo Station
D54	Hotel MyStays Yokohama-Kannai
D55	Art Hotel Joetsu
D56	Art Hotel Hirosaki
D57	Hotel MyStays Oita
D58	Hotel MyStays Gotanda
D59	Hotel MyStays Tachikawa
D60	Hotel MyStays Premier Akasaka
D61	Hotel MyStays Premier Sapporo Park
D62	Hotel MyStays Ueno East
D63	Hotel MyStays Midosuji Honmachi
D64	Hotel MyStays Sapporo Aspen
D65	Art Hotel Ishigakijima
D66	Hotel MyStays Fuji Onsen Resort
D67	Sonia Otaru
D68	Hotel MyStays Kanazawa Castle

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D69	Art Hotel Niigata Station
D70	Hotel MyStays Nagoya Nishiki
D71	Nord Otaru
D72	Hotel MyStays Kagoshima Tenmonkan
D73	Art Hotel Asahikawa
D74	Hotel MyStays Matsuyama
D75	Hotel MyStays Sapporo Susukino
D76	Hotel MyStays Sapporo Nakajima Park
D77	Hotel MyStays Sapporo Nakajima Park Annex
D78	Flexstay Inn Sakuragicho
D79	MyCUBE by MYSTAYS Asakusa Kuramae
D80	Hotel MyStays Kagoshima Tenmonkan Annex
D81	Hotel MyStays Nayoro
D82	Hotel MyStays Premier Narita
D83	Art Hotel Morioka

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